



Volume XXII

# The Real Estate TRENDS

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

## SALES VOLUME

Real estate activity trends in 1953 are looking remarkably like those of 1952. In 1952 an annual peak was reached in March and there followed a 10-point decline through August. This year the annual peak came a month later, and the decline thus far has been a matter of 6 points. Preliminary figures seem to indicate that the 10-point decline of last year will be repeated this year. Then the acid test during the last quarter of the year will come, as to whether or not a downtrend is in the offing. If the trend line fails to move upward or at least hold its own, the expectation will be for a marked decrease in 1954.

Those awaiting the positive effects stemming from the entry of "abused" tenants into the home ownership field are thus far experiencing some disappointment. While a flurry of such activity, if it exists, may be preventing the current decline from assuming sterner proportions, there is as yet no indication that it is creating an improved market. Past experience would indicate that the dislocations caused by the termination of rent control are by and large straightened out during the initial 6 months following the date of decontrol. Consequently, if the July 31 return of rental units to the free market is to provide a shot in the arm for the real estate market, the effect must of necessity become apparent during the next several months:

## MORTGAGE VOLUME

While chalking up a few minor losses, mortgage activity is still racing along at a merry clip. The figure for August (based on a 3-month moving average centered in the second month) is 198.3, or approximately a 3-point drop from the previous month's figure. The high for the postwar period was reached in September of 1950, when the index reached 211.8. During the 3 years to follow, the lowest point reached was in October of 1951, for which a figure of 170.0 was entered. Mortgage lending volume, then, is certainly at a comfortable level. This rosy picture would seem to be somewhat at odds with the highly advertised shortage of mortgage money.

Apropos to this topic is the welter of conflicting reports coming out of Washington, where the American Bankers Association is holding its annual convention.

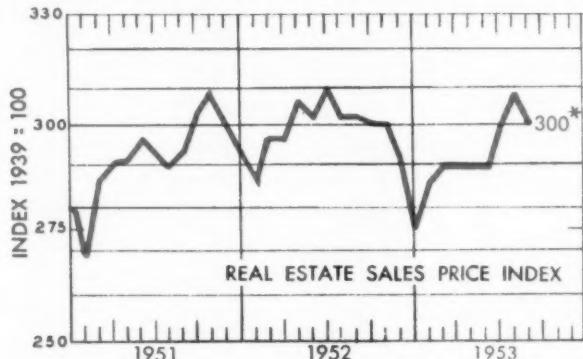
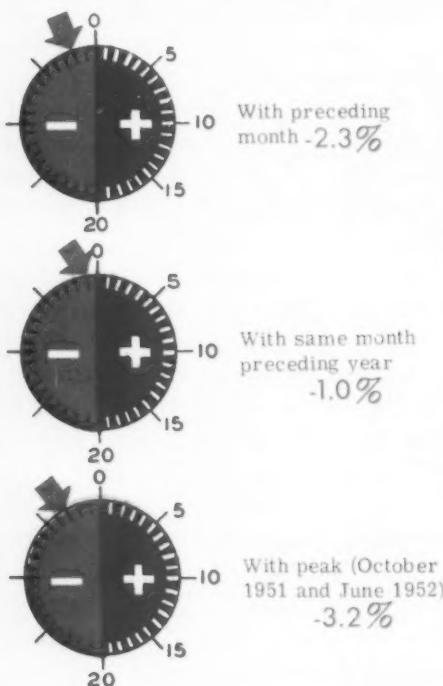
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## PRICE TRENDS IN RESIDENCES

LAST month we reported that ". . . a sudden flurry . . . in the last few months seems to have carried selling prices up to the level of June 1952 (also October 1951) which was an all-time peak." Subsequent revisions, however, have removed the month of July from the "big three." As must always be the case in handling data of this kind, the latest figure is of a preliminary nature based on a sampling of the early month's returns. A full month's returns will, of course, bring about some slight adjustments. On this basis, the July figure has been dropped from 310 to 307. As you will note from the chart below, a further decrease was recorded for the month of August. Information received from the early weeks of September would appear to confirm this down-trend.

It should be readily obvious to anyone of a mind to dispose of real estate in the immediate future that the market pricewise is still surprisingly favorable. Seasonal influences will, of course, carry values down during the winter months. This decline of itself does not necessarily portend a bear market for real estate. Whether or not the clime will remain favorable for real estate sales into 1954 will hinge on the rate of decline during the winter season and on the ability of the index to keep its head above the waters of the 250 to 260 zone.

### REAL ESTATE SALES PRICE COMPARISONS IN AUGUST 1953



Date	Selling price index	Probable selling price of a house that sold for \$5,000 in 1939
1939	100	\$ 5,000
1940 (2nd half)	110	5,500
June '52 & Oct. '51 peak	310	15,500
Dec. '52	276	13,800
Jan. '53	287	14,350
Feb. through May '53	290	14,500
June '53	300	15,000
July '53	307	15,350
Aug. '53	300*	15,000*

\*Preliminary.

(cont. from page 409)

Opinion seems to be divided into two camps: one that feels that the present shortage of loanable funds will continue; and another that sees an increasingly competitive situation, with the borrower in something more of a buyer's market than he has enjoyed for several years. It apparently adds up to a situation that will be marked by wide variations, not only from locality to locality, but from institution to institution, and it may develop that the shopping borrower can turn up a few bargains in interest rates.

#### HOME BUILDING

Time was when every businessman, large or small, watched the daily Dow-Jones averages as his exclusive guide to economic conditions,

notwithstanding the fact that he probably owned no common stocks. Nowadays this same businessman can give you figures on the number of residential starts, just as readily as he can the current Dow-Jones averages. This is fitting and proper, and indicates recognition of the important role played by the home builder in the economic scene.

Consequently, it is hardly news to report that new private and public starts in August numbered 94,000 based on the preliminary report of the Bureau of Labor Statistics, nor will it come as a surprise to most of our readers that during the first 8 months of the year, 769,800 units have been initiated - about the same number as in the like period of 1952. A somewhat happier picture is provided by eliminating public housing starts. The number of privately owned starts for the first 8 months of 1953 totaled 740,100, a gain over 1952 of approximately 20,000 units, or roughly 3%.

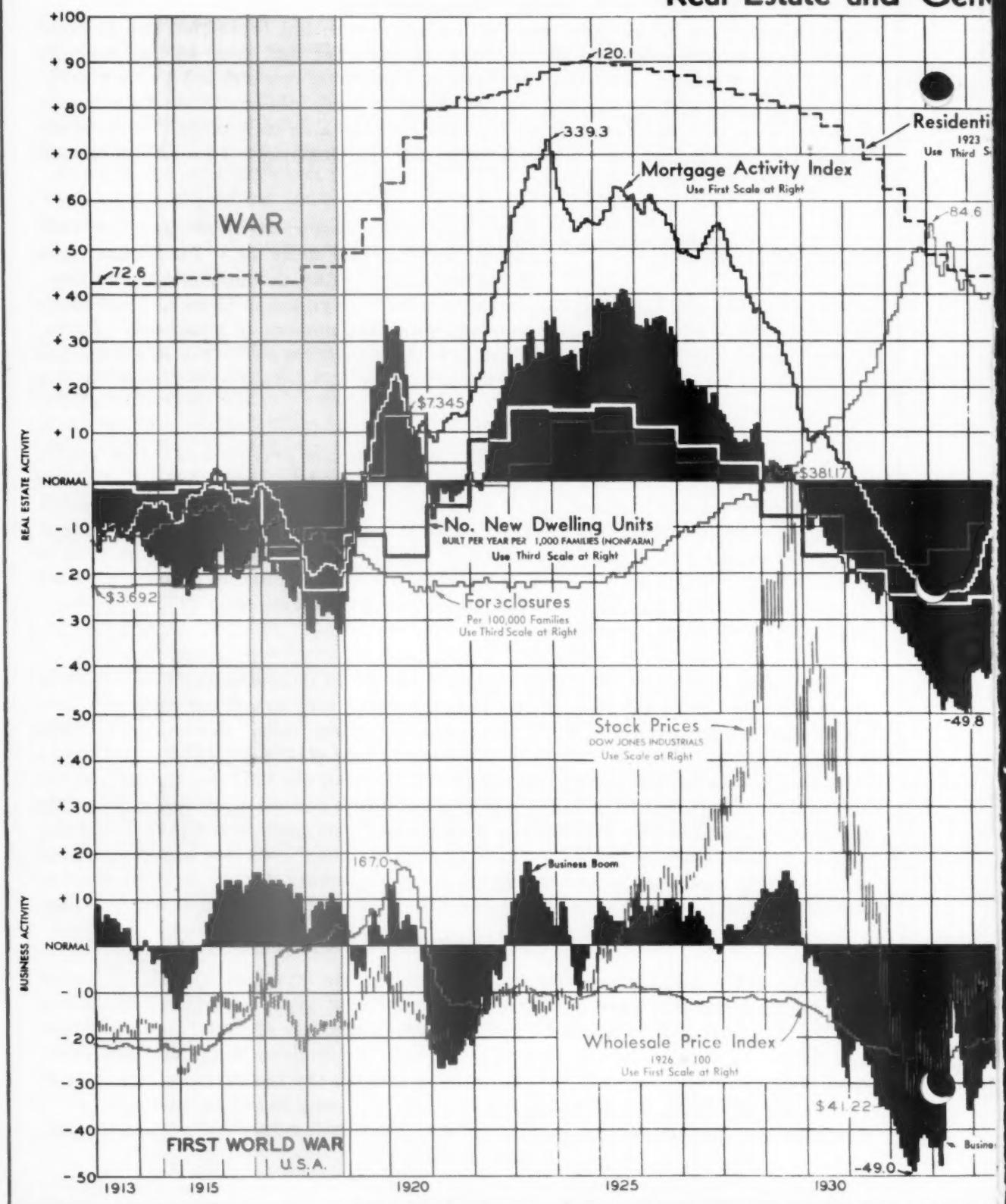
The tendency of the automobile manufacturers to introduce their new models many months before the start of the year for which they are dated seems to have influenced the prognosticators in the home building field. Seers are already dusting off their estimates as to the number of new starts for 1954, the first to take the field being Administrator Albert M. Cole of the HHFA. His admirably conservative estimate of 900,000 represents quite a reduction from the presently indicated total for 1953. The housing industry has been quick to rejoin that the drop will be considerably worse if the "tight mortgage money" situation is not alleviated soon. Here, again, it is our feeling that developments during the last quarter should tell the tale as to what can be expected next year in the way of new building.

#### AGRICULTURAL LAND VALUES

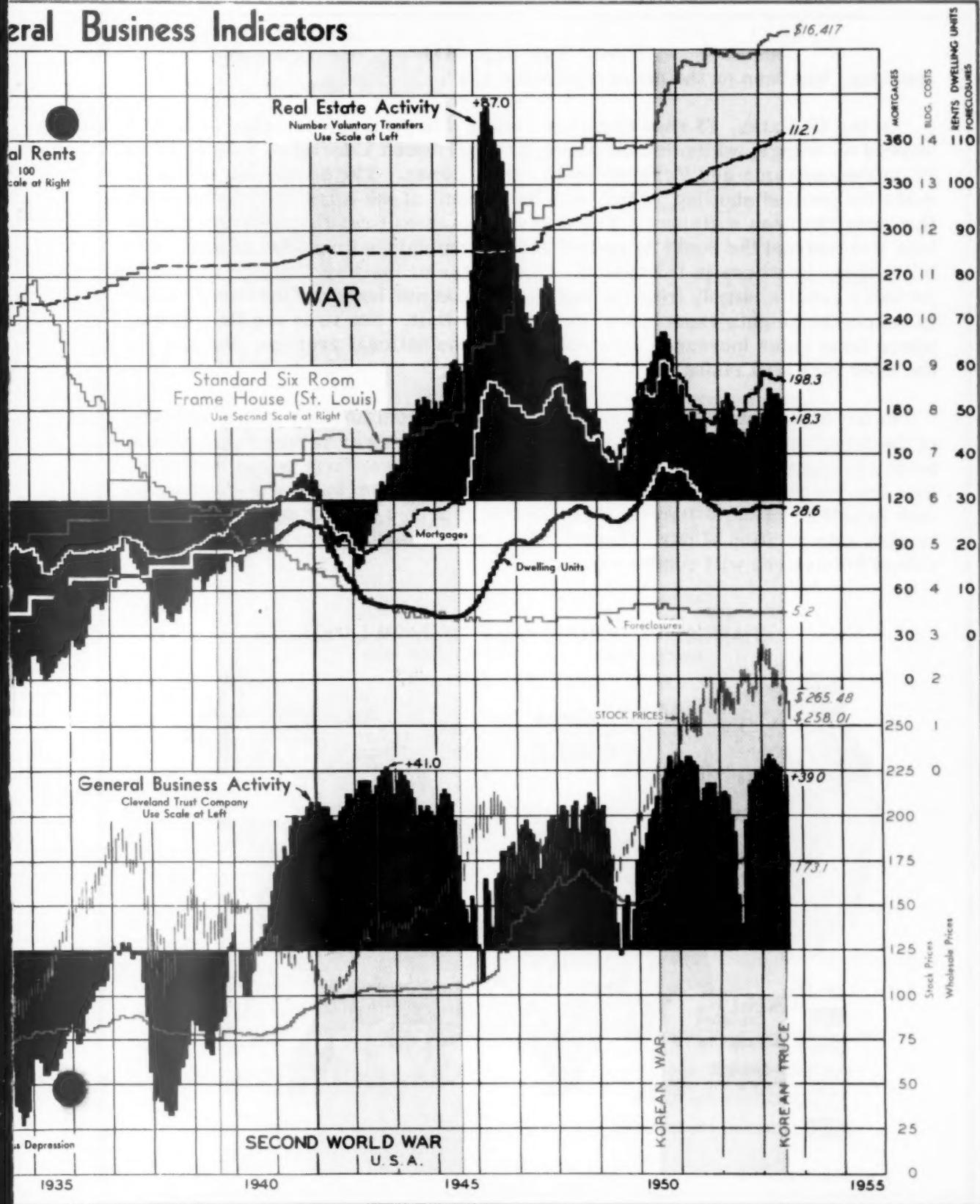
THE State map printed on page 414 shows the changes in dollar value of farm lands that have occurred during the past year. A quick look at this map is all that is needed to prove that, generally speaking, farm values are down. In view of (a) the drought; (b) a continuous drop in agricultural commodity prices over the past several years; and (c) the cessation of a policy of controlled inflation, the situation indicated by this map is not surprising. As if to signal the current decline in farm values, farm real estate activity, nationally

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# Real Estate and General Business Activity



# General Business Indicators



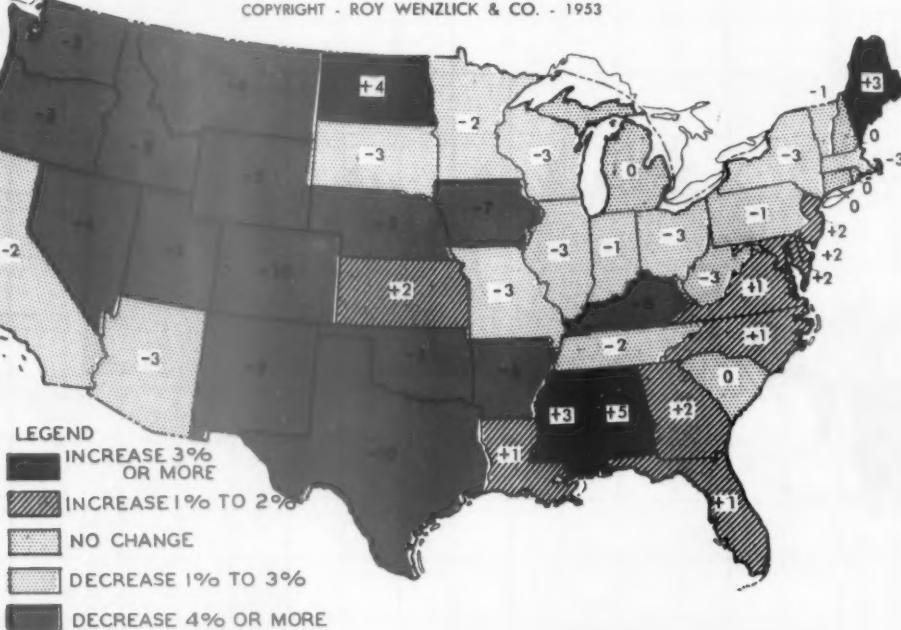
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speaking, has been on the downgrade since 1947.

Of the 48 States, 13 showed higher values this year as compared to last, 5 showed no change, while the remaining 30 experienced a decrease ranging from 1% in Pennsylvania and Vermont to 10.7% in Texas. The Southwestern States made the poorest showing, which may be a result of the extreme drought which that area has been suffering. The map also makes it readily apparent that in New England and the South Atlantic States, farm values displayed greater stability than elsewhere in the nation. In the case of the New England area this probably results largely from the fact that the postwar boom did not carry values to nearly the heights experienced by the Farm Belt. Not so in the Deep South, where farm value increases have outstripped the national average, and are for the most part still rising.

In our September Agricultural Bulletin, which contained an extensive study of the situation, we summarized as follows: "The lower values in farm land prices in many States at the present time are due to lower farm prices during the past few years, and if these lower prices continue, farm lands will continue to sink in selling price." Barring a resumption of armed conflict and/or any inflationary manipulation of our currency, the price of farm commodities and farm values themselves will continue down.

CHANGES IN DOLLAR VALUE OF FARM LANDS  
PERCENTAGES, JULY 1952 TO JULY 1953

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## INCREASES IN BUILDING COSTS SINCE 1939

ST. LOUIS  
September 1953



### SIX-ROOM BRICK HOUSE (FRAME INTERIOR)\*

Content: 23,100 cubic feet  
1,520 square feet  
Cost 1939: \$ 6,400  
(27.7¢ per cubic foot; \$ 4.21 per square foot)  
Cost today: \$17,159  
(74.3¢ per cubic foot; \$11.29 per square foot)  
INCREASE OVER 1939 = 168.1%



### FIVE-ROOM BRICK VENEER HOUSE\*

Content: 24,910 cubic feet  
1,165 square feet  
Cost 1939: \$ 5,440  
(21.8¢ per cubic foot; \$ 4.67 per square foot)  
Cost today: \$14,889  
(59.8¢ per cubic foot; \$12.78 per square foot)  
INCREASE OVER 1939 = 173.7%



### SIX-ROOM FRAME HOUSE\*

Content: 24,288 cubic feet  
1,650 square feet  
Cost 1939: \$ 5,671  
(23.4¢ per cubic foot; \$3.44 per square foot)  
Cost today: \$16,417  
(67.6¢ per cubic foot; \$9.95 per square foot)  
INCREASE OVER 1939 = 189.5%



### 6-ROOM CALIFORNIA BUNGALOW - NO BASEMENT

Content: 12,119 cubic feet  
992 square feet  
Cost 1939: \$3,392  
(28.0¢ per cubic foot; \$3.42 per square foot)  
Cost today: \$9,286  
(76.6¢ per cubic foot; \$9.36 per square foot)  
INCREASE OVER 1939 = 173.6%

## INCREASES IN BUILDING COSTS SINCE 1939

ST. LOUIS  
September 1953



### COMMERCIAL BUILDING - NO BASEMENT

Content: 115,850 cubic feet  
8,075 square feet  
Cost 1939: \$19,474  
(16.8¢ per cubic foot; \$2.41 per square foot)  
Cost today: \$52,308  
(45.2¢ per cubic foot; \$6.48 per square foot)  
INCREASE OVER 1939 = 168.6%



### 18-FAMILY BRICK APARTMENT (FRAME INTERIOR)\*

Content: 168,385 cubic feet  
13,260 square feet  
Cost 1939: \$ 60,300  
(35.8¢ per cubic foot; \$ 4.55 per sq. ft.)  
Cost today: \$163,053  
(96.8¢ per cubic foot; \$12.30 per sq. ft.)  
INCREASE OVER 1939 = 170.4%



### 30-UNIT REINFORCED CONCRETE APARTMENT\*

Content: 303,534 cubic feet  
21,372 square feet  
Cost 1939: \$135,000  
(44.5¢ per cubic foot; \$ 6.33 per sq. ft.)  
Cost today: \$348,209  
(\$1.15 per cubic foot; \$16.29 per sq. ft.)  
INCREASE OVER 1939 = 157.9%

\*Costs include full basement.